



**California Board of Accountancy**  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* [www.cba.ca.gov](http://www.cba.ca.gov)



**DEPARTMENT OF CONSUMER AFFAIRS**  
**CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE  
May 16, 2019  
CALIFORNIA BOARD OF ACCOUNTANCY MEETING**

California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

California Board of Accountancy (CBA) President George Famalett, CPA, called the meeting to order at 11:07 a.m. on Thursday, May 16, 2019 at the CBA Office in Sacramento and recessed at 12:38 p.m. The CBA reconvened into open session from 1:44 p.m. until 3:03 p.m. The CBA convened into closed session from 3:05 p.m. until 4:00 p.m. President Famalett adjourned the meeting at 4:02 p.m.

## CBA Members

George Famalett, CPA, President  
Mark J. Silverman, Esq., Vice-President  
Nancy J. Corrigan, CPA, Secretary/Treasurer  
Alicia Berhow  
Jose A. Campos, CPA  
Mary M. Geong, CPA  
Karriann Farrell Hinds, Esq.  
Dan Jacobson, Esq.  
Xochitl A. León  
Luz Molina Lopez  
Carola A. Nicholson, CPA  
Deidre Robinson  
Katrina L. Salazar, CPA  
Michael M. Savoy, CPA

May 16, 2019

[illegible]

### Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Karen Nelson, Assistant Deputy Director, Office of Board and Bureau Services  
Heidi Lincer, PhD, Chief, Office of Professional Examination Services  
Tracy Montez, PhD, Chief, Division of Program and Policy Review  
Rich Andres, Information Technology Staff  
Aaron Bone, Information and Planning Officer  
Ileana Butu, Legal Counsel, Department of Consumer Affairs (DCA)  
Corey Faiello-Riordan, Enforcement Manager  
Paul Fisher, Enforcement Supervising ICPA  
Dominic Franzella, Chief, Enforcement Division  
Ashley Heebner, Enforcement Manager  
Alegra Keith, Executive Secretary  
Brandon Lee, Enforcement Analyst  
Kari O'Connor, Enforcement Manager  
Rebecca Reed, Board Relations Analyst  
Christine St. Clair, Enforcement Chief Secretary  
Ben Simcox, CPA, Deputy Chief, Enforcement Division  
Carl W. Sonne, Deputy Attorney General, Department of Justice

### Committee Chairs and Members

Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee (EAC)  
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)

### Other Participants

Dean Andal, The Accountanting Coalition  
Jason Fox, California Society of CPAs (CalCPA)  
Sean Gavin, Administrative Law Judge, Office of Administrative Hearings  
Pilar Oñate-Quintana, The Oñate Group  
Anthony Pugliese, CPA, Chief Executive Officer, CalCPA  
James Michael Turnbull, CPA

#### I. Report of the President.

##### A. American Institute of Certified Public Accountants Committee Interest for the 2020-21 Volunteer Year.

President Famalett stated that members interested in serving on an American Institute of Certified Public Accountants (AICPA) committee should submit an application between June 15, 2019 through October 1, 2019.

B. Discussion and Possible Action Regarding Changes to the California Board of Accountancy's 2019 Meeting Locations.

Ms. Reed proposed to the CBA to change the September 2019 and November 2019 CBA meeting locations. She stated that staff were able to secure a CBA meeting location at California State Polytech University (Cal Poly) Pomona for the September 2019 CBA meeting. She stated that since the September 2019 meeting was scheduled to take place in Sacramento, California and the November 2019 meeting was scheduled for Southern California, staff were requesting to change the September meeting location to Cal Poly Pomona and the November meeting to Sacramento, California. She stated that the change will retain the same number of CBA meetings scheduled in Northern and Southern California locations.

**It was moved by Mr. Campos and seconded by Ms. Hinds to change the location of the September 2019 CBA meeting location to Cal Poly Pomona and the location of the November 2019 CBA meeting to the CBA office.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

C. Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook.

Mr. Franzella stated that the purpose of this agenda item was to provide the CBA an opportunity to review and discuss the AICPA's January and May 2019 proposed revisions to Chapter 3 of the AICPA Peer Review Oversight Handbook (Oversight Handbook) and to approve the draft CBA comment letter addressed to AICPA and the National Association State Boards of Accountancy (NASBA).

Mr. Franzella stated that at the May 3, 2019 PROC meeting members discussed the January 2019 iteration of the proposed revisions to the Oversight Handbook, comments from NASBA, and letters submitted from Nevada, North Carolina, and Wyoming State Boards of Accountancy.

Mr. Franzella stated that the AICPA also met on May 3, 2019 and released a revised iteration of Chapter 3 of the Oversight Handbook. He stated that due

to the short notice between the release of the AICPA Peer Review Board meeting materials and the meeting date, CBA staff and PROC members did not have sufficient time to appropriately assign PROC members to oversight the meeting.

Mr. Franzella stated that after the PROC meeting, staff had an opportunity to evaluate the May 3 release of the Oversight Handbook and believed the comments are similar even after the changes AICPA proposed after its May meeting.

Mr. Franzella stated that the concerns were not a manifestation of the changes proposed, but is the characterization of peer review as a whole in the Oversight Handbook. He stated that it is apparent the AICPA has an interest in maintaining confidentiality and conflict of interest as it relates to bylaws, but could be in conflict with state law or boards' organizational structure and how it performs activities. He stated that in the draft comment letter to the AICPA, staff have provided its proposed recommendation to the CBA for its consideration.

Ms. Salazar inquired if staff could adjust the language in the final bullet of the summary on the second page of the draft comment letter from "may want to consider" to "should reconsider." She stated that it could be perceived that our staff are not conforming with Chapter 3 of the Oversight Handbook.

Mr. Franzella stated that staff would adjust the comment letter.

**It was moved by Mr. Campos and seconded by Ms. Berhow to approve the comment letter to AICPA regarding revisions to chapter 3 of the Peer Review Oversight Handbook, with an edit to the last bullet point on the second page changing the word "may" to "should."**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

- D. Presentation from the Office of Professional Examination Services Regarding Evaluation of the Uniform CPA Examination and Professional Ethics Examination.

Tracy Montez and Heidi Lincer from the Office of Professional Examination Services (OPES) provided a presentation regarding the evaluation of the

Uniform CPA Examination (CPA Exam) and Professional Ethics Examination (PETH). OPES provides professional consulting services to Department of Consumer Affairs (DCA) Boards, Bureaus, and committees related to their examinations and make recommendations based on regulations, professional guidelines, and technical standards related to licensure examination.

Mr. Silverman inquired if OPES has a position regarding creating environments that are inclusive and take into account students learning differences.

Ms. Montez stated that testing sites need to meet rigorous security conditions, as well as provide any kind of accommodation under the Americans with Disabilities Act (ADA). She stated that if testing candidates need accommodations, there is a process where the candidate could request the accommodations.

Ms. Bowers inquired if the national occupational analysis included a sufficient representation of California for subject matter experts (SME), would OPES rely on that information or would at a state level review still be necessary.

Ms. Montez stated that OPES would still need to review the national exam process. She stated that to do that, OPES would need to see if California SMEs were used in the national occupational analysis and that OPES is an objective body of the national analysis.

Ms. Montez stated that OPES would still need to complete an occupational analysis in order to define what is California practice and then do a comparison to the national analysis. She stated that once OPES completes the occupational analysis, the next time a review is required, a modified approach can be used. She stated that if there are significant changes from the previous analysis, additional data collection would be needed. She stated that because OPES does not have an occupational analysis on record, it is important to do the full analysis.

Ms. León inquired if OPES has ever completed an occupational analysis for the CBA.

Ms. Montez stated that there is no current analysis on file and the last occupational analysis was completed in the 1990s.

Mr. Savoy inquired on the amount of boards or bureaus that are like the CBA and have a very unique examination. He stated that 55 jurisdictions have utilize the same CPA test nationally. He stated that the only thing that is specific to California is the ethics examination.

Ms. Montez stated that with the occupational analysis, the CBA is trying to create evidence of validation in the event the examination was challenged.

Mr. Campos inquired if the OPES presentation was for educational purposes or if it was an overview of the occupational analysis process. He stated that the uniformity of the CPA Exam is appropriate to have in the accounting profession.

Ms. Bowers stated that the purpose of the presentation was to share the occupational analysis process that will be utilized and provide members an opportunity to ask questions or voice concerns regarding the analysis. She stated that it is also intended to provide a transparent introduction of the process for stakeholders that are monitoring this process.

Ms. Hinds inquired on what initiated the OPES presentation.

Ms. Montez stated that Business and Professions Code (BPC) section 139 requires DCA to develop a policy regarding examination development and validation, and occupational analysis and report this information to the Legislature every year within DCA's Annual report.

Ms. Salazar inquired if the OPES occupational analysis could coincide with the national practice evaluation, when it occurs.

Ms. Montez stated that in the past, OPES has been able to coincide their analysis with a national programs analysis.

Ms. León inquired on how long the occupational analysis process would take.

Ms. Lincer stated that the occupational analysis portion would take nine to 12 months to complete and the national analysis would take six months to complete.

Ms. Nicholson inquired on what the CBA is going to learn from the analysis.

Ms. Lincer stated that the CBA will have a description of California practice, what licensees do, and the CBA will have documentation that defends the use of the national examination.

Ms. Bowers stated that the occupational analysis will have a fiscal impact on the CBA and staff will need to take steps to budget for the analysis.

- E. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

There was no report on this agenda item.

- F. Department of Consumer Affairs Director's Report on Departmental Activities.

Ms. Nelson reported that Dean Grafilo's last day as Director of DCA was April 19, 2019. She stated that DCA is working with the Governor's Office to find a successor. She stated that DCA will still hold its Director's Quarterly Meeting on June 3, 2019, which will be led by DCA's deputy director.

Ms. Nelson stated that the executive officer's salary study was completed in March 2019 and the results should be released in early June. She stated that once the final report is released, DCA will meet with executive officers and leadership to go over the final report.

Ms. Nelson stated that in January 2019 the Office of Information Services launched the Open Data Portal, which is accessible by the public. She stated that the Data Open Portal allows the public to access licensing statistics and information regarding trends and changes in licensing data going back two years. She stated that as of April 2019, the Open Data Portal includes enforcement and application data.

Ms. Nelson stated that at the end of May, eight individuals will be graduating from the Future Leadership Development Program.

## II. Report of the Vice-President.

### A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

There was no report on this agenda item.

### B. Recommendations or Appointment(s)/Reappointment(s) to the Qualifications Committee.

There was no report on this agenda item.

### C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this agenda item.

## III. Report of the Secretary/Treasurer.

### A. Fiscal Month 8 Financial Report.

Ms. Corrigan reported that the CBA had not yet received the final revenue and expenditure figures due to the transition to the FI\$Cal accounting software. She stated that the staff should receive the final revenue and expenditure figures by July 1, 2019.

Ms. Corrigan stated that the actual expenditures as of February 28, 2019 were \$9,416,234, or 65 percent of the CBA budget. She stated that the CBA is currently projected to end fiscal year (FY) 2018-19 with an approximate surplus of \$49,500.

Ms. Corrigan stated that the CBA is projected to end FY 2018-19 with approximately 15 months in the reserve fund.

- B. Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees.

Ms. Pearce stated that the purpose of the agenda item was to provide the CBA with additional information to identify possible fee changes that would produce sufficient revenues to more closely align with expenditures and build its Accountancy Fund (Reserve).

Ms. Pearce stated that when it comes to the CBA's budget and spending authority, the CBA has little flexibility in its discretionary spending. She further stated that as the CBA plans for future operational needs, it must consider possible budget augmentations in the areas of information technology, credit card acceptance, examination validation, and enforcement.

Ms. Pearce stated that another impact to CBA revenues could occur based legislative direction. She stated that as part of the current legislative session, there are two bills the CBA is monitoring that would impact revenues, specifically Assembly Bill (AB) 544 and AB 613.

Ms. Pearce stated that a fee analysis would need to be completed to increase future fees via regulation. She stated that the analysis would be completed by an outside vendor and DCA has indicated that this process could take a minimum of four to six months and may cost between \$40,000 to \$50,000.

Ms. Pearce stated that at the March 2019 CBA meeting, the CBA requested staff provide information regarding increases in CBA fees for consideration other than license renewal and initial licensure. She stated that staff reviewed the fees for firm applications, first-time examination, repeat examination, retired status license, and retired status restoration.

Ms. Pearce stated that staff concluded that the repeat examination application and the retired status restoration fees should not be considered for a fee increase as the workload would likely not support a cost beyond the current levels and would have a very minimal impact on the CBA's revenue.



Ms. Pearce stated that the staff received additional information from the Legislature regarding the CBA's statutory fee levels for license renewal and initial licensure. She stated that the Legislature indicated that they believe the CBA would benefit from having a minimum fee level in statute at an amount between \$250 to \$280. She stated that the statutory maximum that the Legislature is comfortable with is \$350.

Ms. Pearce stated that the rationale is that a minimum fee level amount in statute would enable the CBA to begin collecting the increased revenue sooner than a regulatory change and would allow time for the fee analysis to be completed.

Ms. Pearce stated that based on the new information, staff is recommending the CBA direct staff to work with the Legislature to identify a statutory minimum fee level ranging between \$250 and \$280 and a statutory maximum of \$350, and approve a change to BPC section 5134(f) that reflects a minimum fee level between \$250 and \$280 and a statutory maximum of \$350.

Ms. Berhow inquired on what the Legislature's timeline would be and if the minimum and maximum is standard. Ms. Pearce responded that the Legislature would be folding it into the Sunset bill when the bill goes to the Senate. She stated that the effective date, if signed by the Governor, would be January 1, 2020.

Mr. Jacobson inquired if this would be a spot bill. Mr. Bone responded that AB 1521 just got out of the appropriation suspense file and it will go to the Assembly floor for approval and then will go to the Senate. He stated that once the bill moves to the Senate, the bill would be amended to include the fee provisions.

Ms. Salazar stated that if the CBA approves the suggested fee and statutory maximum, the months in reserve would still remain below the desired level. She inquired if the CBA approves this increase, is the CBA expecting at some point in the near future to be revisiting fees when the fee analysis is complete and looking at that maximum.

Ms. Pearce stated that once the fee analysis is completed, if the results support an increase above a \$350 maximum, then the Legislature indicated they would support a statutory maximum fee increase greater than \$350.

Mr. Campos stated that he would like to pursue additional fee increases including first-time examination fees, firm application fees, and the retired status fee.

Ms. Pearce stated that the CBA can make a decision on the additional fee increases once the fee analysis is complete.

**It was moved by Mr. Campos and seconded by Mr. Jacobson to direct staff to work with the Legislature to identify a statutory minimum fee level ranging between \$250 and \$280 and a statutory maximum of \$350; and approve a change to Business and Professions Code section 5134(f) that reflects a minimum fee level between \$250 and \$280 and a statutory maximum of \$350.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**IV. Report of the Executive Officer.**

**A. Update on Staffing.**

There was no report on this agenda item.

**B. Update on the California Board of Accountancy's Communications and Outreach.**

Mr. Bone reported that on April 11, 2019, the CBA co-hosted an outreach event with CalCPA at California State University, San Bernardino titled "Pathway to CPA Licensure." He stated that guest speakers included CBA member Michael M. Savoy, CPA, Enforcement Advisory Committee member Kathy Johnson, CPA, and CalCPA Chair Lewis E. Sharpstone, CPA.

Mr. Bone stated that on April 26, 2019, staff attended the Department of Business Oversight's annual Financial Literacy Fair at the State Capitol. He stated that staff demonstrated the CBA's license lookup feature on the CBA website and were available to answer consumer questions.

Mr. Bone stated that on May 3, 2019, CBA Member Jose A. Campos, CPA and CBA staff spoke to students at Saddleback Community College regarding the requirements and process to sit for the CPA Exam. He stated that Mr. Campos participated in a panel discussion regarding career opportunities available to new CPAs.

Mr. Bone stated that staff are in the process of planning an outreach event at Cal Poly Pomona to be held during the CBA's September meeting.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the May 2, 2019 Enforcement Advisory Committee Meeting.

Mr. Rosenbaum reported that EAC members reviewed 23 closed case files and held five investigative hearings.

B. Qualifications Committee.

There was no report on this agenda item.

C. Peer Review Oversight Committee.

1. Report of the May 3, 2019, Peer Review Oversight Committee Meeting.

Mr. De Lyser reported that the PROC discussed and provided feedback regarding the AICPA's January 2019 iteration of proposed revisions to the Oversight Handbook.

He stated that the PROC reviewed and discussed the AICPA National Peer Review Committee (NPRC) 2017 Annual Report on Oversight, the results from the administrative oversight of AICPA NPRC, and AICPA Peer Review Board acceptance of a report from the 2018 AICPA Oversight Task Force oversight visit to CalCPA.

2. Update Regarding the Peer Reviewer Population.

Mr. Franzella stated that at the March 2019 CBA meeting, the CBA approved a letter for distribution to AICPA requesting a response regarding the proposed framework to monitor the California Peer Reviewer population. He stated that the CBA received a response letter from AICPA on May 15, 2019, but staff have not had the opportunity to evaluate the response. He stated that staff will review the response letter and determine if the response will be placed on the CBA agenda for the July 2019 meeting or if it will be placed on the August 2019 PROC agenda.

VI. Petition Hearing.

A. James Michael Turnbull, CPA License Number 76917 – Petition for Termination of Probation.

Mr. Turnbull withdrew his petition for termination of probation.

VII. Closed Session: Pursuant to Government Code Section 11126(c) (3), the California Board of Accountancy will Convene into Closed Session to Deliberate on the Above Petition.

VIII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item.

Mr. Famalett inquired if the licensees that received a citation for the 20/12 violation were given a chance to come into compliance with the 20/12 regulation after their citation was paid.

Mr. Franzella stated that the 20/12 violation is one of the only violations in which a license is unable correct the violation. He stated that a licensee either meets the requirement or they don't. He stated that once cited, licensees are given 30 days to either file an appeal or pay the citation. He stated that if the citation is not paid, the licensee will be prohibited from renewing their license.

IX. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Pearce provided an overview of this item.

Ms. Molina Lopez inquired if there have been any complaints or issues with the on-line payment system for license renewal.

Ms. Pearce stated that the only feedback that has been received is for the receipt to include additional information regarding the payment and the licensee's name.

X. Meeting Minutes.

A. Adoption of the Minutes of the March 21, 2019, California Board of Accountancy Meeting.

B. Acceptance of the Minutes of the March 21, 2019, Enforcement Program Oversight Committee Meeting.

C. Acceptance of the Minutes of the March 21, 2019, Committee on Professional Conduct Meeting.

D. Acceptance of the Minutes of the March 21, 2019, Legislative Committee Meeting.

- E. Acceptance of the Minutes of the February 7, 2019, Enforcement Advisory Committee Meeting.
- F. Acceptance of the Minutes of the February 15, 2019, Peer Review Oversight Committee Meeting.

**It was moved by Mr. Jacobson and seconded by Ms. Berhow to approve CBA Item X.A. and accept CBA Items X.B. – F.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Absent: None.**

XI. Other Business.

A. American Institute of Certified Public Accountants.

- 1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.
  - a. State Board Committee.

There was no report on this agenda item.

B. National Association of State Boards of Accountancy.

- 1. Report of the National Association of State Boards of Accountancy Pacific Regional Director.

Ms. Salazar stated that NASBA will be holding its Western Regional Meeting in Salt Lake City, Utah on June 18-20 2019. She stated that one of the topics that will be covered at the meeting is the CPE Evolution Taskforce. She stated that the discussion relates to how to evolve the CPA profession and licensure in today's changing environment. She stated that there is also a 120/150 task force that was created by the NASBA chair to address the issues, concerns, and reasons why we are nationally at 150 hour prelicensure education requirement. She stated that there will also be discussions regarding the Uniform Accountancy Act, Peer Review, the attest requirement, ethics issues, and non-compliance with laws and regulations.

2. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member or Staff.

- a. Bylaws Committee.

There was no report on this agenda item.

- b. Diversity Committee.

Ms. Nicholson stated that she participated in two teleconferences with the Diversity Committee. She stated that the discussions included establishing ways to receive better representation on all the different state boards with diversity and women.

## XII. Report on the Enforcement Program Oversight Committee, Committee on Professional Conduct, and Legislative Committee.

### A. Enforcement Program Oversight Committee.

1. Report of the May 16, 2019, Enforcement Program Oversight Committee Meeting.
2. Discussion and Possible Action Regarding Enforcement-Related Activities Associated With Unlicensed Practice.

Ms. Corrigan stated that Mr. Franzella provided an overview on how the Enforcement Program addresses matters involving unlicensed professionals. She stated that members wanted increased information and exposure on the activities the CBA takes related to unlicensed practice.

Ms. Corrigan stated that staff are also working to simplify the ability to report unlicensed activity to the CBA.

Ms. Corrigan stated that the Enforcement Program Oversight Committee (EPOC) agreed that the existing enforcement framework for unlicensed matters is effective and should remain.

Ms. Corrigan stated that the EPOC also discussed whether there are issues with individuals licensed with general experience performing attest-related services and requested staff bring information regarding this matter to a future EPOC meeting.

### B. Committee on Professional Conduct.

1. Report of the May 16, 2019, Committee on Professional Conduct Meeting.
2. Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral.

Mr. Jacobson stated that the current process for individuals to apply to sit for the CPA Exam may limit a recent graduate's ability to sit for the CPA Exam during the summer months, before beginning employment or an internship to obtain experience for a CPA license. He stated that the states of Washington, Nebraska, and Missouri allow candidates, under certain guidelines, to take the CPA Exam prior to degree conferral.

Mr. Jacobson stated that allowing candidates to test prior to degree conferral would require the implementation of a tracking system and would require a change to BPC section 5093. He stated that if the CBA would like to move forward pursuing a statutory change to allow CPA Exam candidates to sit for the CPA Exam prior to receiving conferral of a bachelor's degree, staff recommended this be developed during the CBA's Business Modernization Project which will launch in July 2019.

Mr. Jacobson stated the CPC discussed the value of allowing candidates to sit for the CPA Exam in the months following completion of their degree requirements, but before the official degree conferral. He stated that the CPC shared that they have been approached by professors who feel strongly that this allowance would benefit the profession.

Mr. Jacobson stated that the CPC also discussed the risk involved in this venture, and were in agreement that the potential risk is minimal, mitigated by the fact that candidates would not receive a license without navigating the proper process, including completion of required education.

Mr. Jacobson stated that CPC members inquired as to the cost to the CBA staff to track applicant data, as this would be a manual endeavor. He stated that staff believed the cost would be minimal, but there would be operational impacts, which can be explored further.

**The CPC recommended CBA staff work with universities with a high-volume of graduates applying for the CPA Exam to expedite the process to receive degree conferral documentation.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Savoy.**

**The CPC recommended the CBA direct staff to pursue legislative changes to allow candidates to sit for the CPA Exam prior to degree conferral and incorporate within the Business Modernization Project a process to track individuals who may apply for the CPA Exam prior to degree conferral.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: Mr. Savoy.**

**3. Discussion and Possible Action Regarding Continuing Education Reciprocity.**

Mr. Jacobson stated that at the March 2019 CBA meeting, staff were asked to conduct additional research to help the CBA determine whether to pursue continuing education (CE) reciprocity. He stated that approximately 10 percent of the CBA's licensee population has an out-of-state address, which provides a starting point to understand the number of licensees that may benefit from CE reciprocity.

Mr. Jacobson stated that differing renewal cycles did not appear to have any impact on a state's CE reciprocity policies. Further, staff learned that the State of North Carolina requires completion of an ethics course that deviates from the Uniform Accounting Act (UAA) Model Rules.

Mr. Jacobson stated that staff suggested that if the CBA desires to pursue CE reciprocity, it can use the UAA Model Rule 6-7 language as a starting point and adjust the language to incorporate flexibility for differing renewal cycle timeframes, require the completion of any California specific courses, or other requirements the CBA deems appropriate.

Mr. Jacobson stated that the CPC discussed the differing CE requirements of others states as compared to California, and stated that staff should conduct further research to consider the states' various CE requirements before taking action.

**C. Legislative Committee.**



1. Report of the May 16, 2019, Legislative Committee Meeting.
2. California Board of Accountancy 2019 Legislative Tracking Chart.

This was a written report only.

3. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position.
  - a. Assembly Bill 193 – Professions and Vocations.

Ms. Molina Lopez stated that Assembly Bill (AB) 193 would require DCA to conduct a comprehensive review of all licensing requirements for each profession regulated by a DCA board or bureau and to identify unnecessary licensing requirements. She stated that the bill also deletes certain licensing requirements related to the practice of barbering, cosmetology, and custom upholstery.

Ms. Molina Lopez stated that staff recommended the CBA maintain a Watch position on AB 193.

The LC did not take any action on this item.

- b. Assembly Bill 312 – State Government: Administrative Regulations: Review.

Ms. Molina Lopez stated that AB 312 would require each state agency to, by January 1, 2022, review all its regulations, identify any regulations that are duplicative, overlapping, inconsistent, or out-of-date, revise those identified regulations, and report its findings and actions taken to the Legislature and Governor.

Ms. Molina Lopez stated that staff recommended the CBA maintain a Watch position on AB 312.

The LC did not take any action on this item.

- c. Assembly Bill 476 – Department of Consumer Affairs: Task Force: Foreign-Trained Professionals.

Ms. Molina Lopez stated that AB 476 would require DCA to create a task force to study and issue a report regarding the licensing of professionals trained outside of the United States. She stated that the task force would be required to submit a report to the Legislature by January 1, 2021 that identifies strategies to integrate foreign-trained professionals, state and national licensing regulations that potentially

pose unnecessary barriers to practice, and best practices to integrate foreign-trained professionals into the workforce of other states.

Ms. Molina Lopez stated that staff recommended maintaining a Watch position on AB 476.

The LC did not take any action on this item but directed staff to research the provisions of the bill that relate to non-US accredited educational institutions and report back to the CBA.

d. Assembly Bill 613 – Professions and Vocations: Regulatory Fees.

Ms. Molina Lopez stated that AB 613 would authorize each board within DCA to increase, no more than once every four years, any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index for the preceding four years.

Ms. Molina Lopez stated that staff recommended maintaining a Support position on AB 613.

The LC did not take any action on this item.

e. Assembly Bill 802 – Reports to the Legislature.

Ms. Molina Lopez stated that AB 802 would require state and local agencies to submit reports electronically, and not by printed copy, to designated legislative officials. She stated that for reports involving data collection or analysis, the bill would require a state agency to post all data used to generate the report on the agency's internet website at the time the report is posted.

Ms. Molina Lopez stated that staff recommended maintaining a Watch position on AB 802.

The LC did not take any action on this item.

f. Assembly Bill 931 – Local Boards and Commissions: Representation: Appointments.

Ms. Molina Lopez stated that since the March 2019 CBA meeting, AB 931 was amended and now only requires, on and after January 1, 2030, the composition of an appointed board or commission of a city with a population of 50,000 or greater have a specified minimum number of women board members or commissioners.

**The LC recommended the CBA discontinue its Watch position on AB 931.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**g. Assembly Bill 1140 – Tax Preparers: Disclosures.**

Ms. Molina Lopez stated that AB 1140 would require a tax preparer registered with the California Tax Education Council to make specified written disclosures to their clients that include the total amount of all fees being charged by the tax preparer and a notice stating that taxpayers earning less than \$66,000 each year may qualify for free, in-person tax preparation.

Ms. Molina Lopez stated that staff recommended maintaining a Support position on AB 1140.

The LC did not take any action on this item.

**h. Assembly Bill 1521 – Accountancy: California Board of Accountancy.**

Ms. Molina Lopez stated that AB 1521 is the CBA's sunset bill and reported that since the March 2019 CBA meeting, the bill was amended to include provisions that do the following:

- Allow the CBA to electronically distribute the UPDATE newsletter
- Requires all applicants and licensees to provide a valid email address to the CBA
- Allow the CBA to deny an applicant for initial licensure if that person was disciplined by the federal government, the Public Company Accounting Oversight Board, or another country for any act substantially related to the functions, qualifications, or duties of a CPA

- Delete the term “fiduciary” from the statute added by AB 2138 that requires the CBA to develop regulations that authorize the denial of an application for initial licensure if the applicant committed certain felony financial crimes
- Make a non-substantive amendment to Business and Professions Code (BPC) section 5100.1

Ms. Molina Lopez stated that staff recommended maintaining a Support position on AB 1521.

The LC did not take any action on this item.

i. Assembly Bill 1545 – Civil Penalty Reduction Policy.

Ms. Molina Lopez stated that AB 1525 states that a certified public accountant or accounting firm does not commit a crime under California law solely for providing professional accounting services to persons licensed to engage in commercial cannabis activity.

Ms. Molina Lopez stated that staff recommended maintaining a Watch position on AB 1525.

The LC did not take any action on this item.

j. Assembly Bill 1545 – Civil Penalty Reduction Policy.

Ms. Molina Lopez stated that AB 1545 would require a state agency to assist a small business, as defined, in complying with all statutes and regulations administered by the state agency and in any enforcement action by the state agency. She stated that the bill would require a state agency to establish a policy that provides for the reduction of civil penalties for violations of regulatory or statutory requirements by a small business under appropriate circumstances.

Ms. Molina Lopez stated that staff recommended maintaining a Watch position on AB 1545.

The LC did not take any action on this item.

k. Senate Bill 51 – Financial Institutions: Cannabis.

Ms. Molina Lopez stated that Senate Bill (SB) 51 would establish cannabis limited charter banks and cannabis limited charter credit unions to provide specific financial services to the cannabis industry.

Ms. Molina Lopez stated that staff recommended maintaining a Watch position on SB 51.

The LC did not take any action on this item but directed staff to invite the author and sponsor of the bill to address the CBA on this and related cannabis legislation and to place on a future CBA meeting agenda a discussion of how the accounting profession is impacted by current cannabis-related federal laws.

I. Senate Bill 53 – Open Meetings.

Ms. Molina Lopez stated that SB 53 would subject state two-member advisory committees to the requirements of the Bagley-Keene Open Meeting Act, which include publishing a 10-day meeting notice and agenda, opening the meeting to the public, recording the meeting, and publishing minutes.

**The LC recommended the CBA maintain its Oppose position on SB 53 and approve the following proposed amendments to SB 53:**

- **Exempt from the bill communications, discussions, or meetings between staff of the CBA, Department of Consumer Affairs, or elsewhere within the Governor's Administration and a single member of the CBA or a CBA committee**
- **Exempt from the bill Peer Review Oversight Committee administrative site visits associated with an entity that administers a peer review program to ensure the entity is operating in accordance with standards adopted by the CBA**
- **Continue to allow two CBA members or CBA committee members to participate in outreach events or discussions with the Legislature**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

m. Senate Bill 601 – State Agencies: Licenses: Fee Waiver.

Ms. Molina Lopez stated that SB 601 would authorize a state agency that issues any business license to reduce or waive any required fees for licensure, renewal of licensure, or the replacement of a physical license who was displaced by a declared emergency.

Ms. Molina Lopez stated that staff recommended maintaining a Support position on SB 601.

The LC did not take any action on this item.

n. Assembly Bill 1271 – Licensing Examination: Report.

Ms. Molina Lopez stated that AB 1271 would require DCA, on or before January 1, 2021, to provide a report to the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development that contains specified information relating to licensing examinations for each licensed profession and vocation under DCA's jurisdiction.

Ms. Molina Lopez stated that AB 1271 is a two-year spot bill and staff recommended maintaining a Watch position.

The LC did not take any action on this item.

4. Review and Consideration of Possible Positions on Legislation.

a. Assembly Bill 63 – State Government.

Ms. Molina Lopez stated that AB 63 would require an agency that serves or furnishes information to the public, or engages in activity that involves public contact, to provide a plain-language online form that allows the public to assign an A, B, C, D, or F letter grade system to rate their experience with that agency. She stated that it would require that agencies provide the public the option to display their comment or grade publicly among other public comments.

**The LC recommended the CBA approve a Watch position on AB 63.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

- b. Assembly Bill 535 – Personal Income Taxes: Credit: Professional License Fees.

Ms. Molina Lopez stated that AB 535 would allow certain taxpayers, beginning January 1, 2020 to claim a credit against their state income taxes for the costs paid or incurred to obtain a qualified initial professional license, as defined. She stated that the bill does not include a CPA license among the list of qualified professional licenses.

**The LC recommended the CBA approve a Watch position on AB 535.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

- c. Assembly Bill 544 – Professions and Vocations: Inactive License Fees and Accrued and Unpaid Renewal Fees.

Ms. Molina Lopez stated that AB 544 would limit the maximum fee for the renewal of a license in an inactive status to no more than 50 percent of the renewal fee for an active license. She stated that the bill would also prohibit a board or bureau from requiring payment of accrued and unpaid renewal fees as a condition of reinstating an expired license or registration. She stated that the bill would reduce CBA's revenues by approximately \$954,000, annually.

Mr. Campos stated that his concerns on AB 544 relate to the blanket limitation that this bill would have on how the CBA handles their fees. He requested staff analyze active licenses verses inactive because the fee to renew a CPA license in an inactive status is the same as renewing active. He stated that staff may want to include this information in the Opposition letter. He stated that he is opposed to another agency determining how much and when to reduce the CBA's licensing fees verses the CBA making the decision.

**The LC recommended the CBA approve an Oppose position on AB 544.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**d. Assembly Bill 1076 – Criminal Records: Automatic Relief.**

Ms. Molina Lopez stated that AB 1076 would require the Department of Justice (DOJ) to review its criminal justice databases and seal the arrest records or dismiss certain convictions of individuals that qualify under the bill. She stated that with limited exceptions, the bill prohibits DOJ from disclosing to other parties information concerning an arrest that has been sealed or a dismissed conviction.

**The LC recommended the CBA approve a Watch position on AB 1076.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**e. Assembly Bill 1181 – Charitable Organizations.**

Ms. Molina Lopez stated that AB 1181 requires financial records of certain solicitations for charitable purposes to be maintained according to specific accounting standards apart from Generally Accepted Accounting Principles (GAAP). She stated that it further prohibits a charitable organization from reporting its noncash contributions in a way that is misleading or likely to cause confusion and removes the American Institute of CPAs and the Governmental Accounting



Standards Board from the list of organizations involved in the establishment of GAAP for purposes of these valuations.

Mr. Campos requested staff include information in the oppose letter regarding factors that are more driven towards the CBA including that the CBA subjects licensees to peer review requirements and continuing education requirements.

**The LC recommended the CBA approve an Oppose position on AB 1181.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Molina Lopez, Ms. Nicholson, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: None.**

5. Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring.
  - a. Assembly Bill 286 – Taxation: Cannabis.
  - b. Assembly Bill 545 – Cannabis: Bureau of Cannabis Control: Cannabis Control Appeals Panel.
  - c. Assembly Bill 768 – Professions and Vocations.
  - d. Assembly Bill 1184 – Public Records: Writing Transmitted by Electronic Mail: Retention.
  - e. Assembly Bill 1417 – Cannabis Advertisement and Marketing: Internet: License Number: Statements: Unfair Business Practice: Public Nuisance.
  - f. Assembly Bill 1678 – Indoor-Grown Cannabis Commission.
  - g. Senate Bill 496 – Financial Abuse of Elder or Dependent Adults.
  - h. Senate Bill 522 – Taxation.
  - i. Senate Bill 546 – Unlicensed activity.

- j. Senate Bill 700 – Business and Professions: Noncompliance with Support Orders and Tax Delinquencies.
- k. Senate Bill 749 – California Public Records Act: Trade Secrets: Reverse Public Records Actions.

Ms. Molina Lopez stated that Items A through K are bills being monitored by staff, and include spot bills and bills related to the cannabis industry.

The LC did not take any action on those items.

- 6. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4.

### XIII. Closing Business.

#### A. Public Comments.

There were no public comments.

#### B. Agenda Items for Future California Board of Accountancy Meetings.

Mr. Jacobson requested staff invite Senator Hertzberg and California State Treasurer, Fiona Ma to a future meeting to discuss SB 51 – Financial Institutions: Cannabis.

Ms. Molina Lopez requested more discussion regarding the cannabis industry at a board level.

Ms. Salazar requested staff reevaluate credit card fees and provide an update at a future meeting.

- XIV. Closed Session: Pursuant to Government Code Section 11126(c) (3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Enforcement Matters.
- XV. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Convene Into Closed Session to Receive Advice From Legal Counsel on Litigation.
  - A. *Sam Walker and Sam Walker CPA, Inc. v. Department of Consumer Affairs, California Board of Accountancy, and the Office of Administrative Hearings, Los Angeles County Superior Court, Case No. BS171533.*

- B. *Lanfeng Zhao and ELZ Accountancy Corporation v. California Board of Accountancy*, Los Angeles Superior Court, Case No. 18STCP02951.
- C. *Lowell A. Baisden v. Patti Bowers Executive Officer, Board of Accountancy, Department of Consumer Affairs, State of California, Evan J. Geilenkirchen, and Jane M. Geilenkirchen*, Fifth Appellate District Court of Appeal, Case No. F076662.
- D. *Subramaniam Easwara Ramanan and Neeka Accountancy Corporation v. California Board of Accountancy, Department of Consumer Affairs, State of California*, Sixth District Court of Appeal, Case No. H041566.
- E. *Michael D. Robinson v. California Board of Accountancy*, San Francisco County Superior Court, Case No. CPF-19-516602.

Adjournment.

President Famalett adjourned the meeting at 4:02 p.m. on Thursday, May 16, 2019.

\_\_\_\_\_ George Famalett, CPA, President

\_\_\_\_\_ Nancy J. Corrigan, CPA, Secretary/Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.